Ladbrokes Coral Group plc (LSE: LCL)

Legal Entity Identifier: 213800P7FJOPCV4H3J04

Unaudited interim results for the half year ended 30 June 2017

31 August 2017

Good Financial and Operational performance allied with strong progress on integration

	Reported[1]		Proforma[2]		
Half year ended 30 June	**2017 £m**	2016 £m	**2017 £m**	2016 £m	Growth
Group Revenue	**1,204.2**	661.8	**1,198.0**	1,184.5	1%
Group EBITDA [3]	**211.0**	89.8	**211.0**	210.1	0%
Group operating profit[4]	**51.7**	37.7	**158.3**	147.9	7%
Group profit after tax	**19.4**	20.7	*n/a*	*n/a*	*n/a*
Underlying earnings / (loss) per share (p)[5]	**5.7p**	3.6p	*n/a*	*n/a*	*n/a*
Basic earnings per share	**1.0p**	2.0p	*n/a*	*n/a*	*n/a*
Interim dividend per share	**2.0p**	1.0p	*n/a*	*n/a*	*n/a*

Financial and operational highlights

- Proforma Group revenue[2] of £1,198.0m, up 1%
- Proforma Group operating profit before charging non trading items of £158.3m[2]/[4], up 7%; Digital operating profit +72% (constant currency[6] ("cc") +67%) and reported Group operating profit [1] of £51.7m
- Integration progressing very well - successful consolidation of head office team and migration of UK Digital brands to one platform
- Synergies now expected to be £150m per annum by 2019, more than double the original estimate
- Strong Digital performance with net revenue +17% (+21% after excluding the Euros in 2016) driven by leading multi-channel offerings in the UK and Italy, and market leading growth in Australia. Digital gaming net revenue +11%
- UK Retail benefiting from planned actions to improve profitability
- Net Debt of £1,065.5m, 2.79x proforma EBITDA; highly cash generative nature of the business ensures we are firmly on track to hit target range of 1.5x - 2.0x by the end of 2018
- Interim dividend doubled to 2p reflecting strong progress to date

Commenting on the H1 results, Ladbrokes Coral CEO Jim Mullen said:

"Ladbrokes Coral continues to make good operational and financial progress. We entered the year with ambitious targets for the first half to substantially complete the integration of our teams and migrate UK Digital to a single platform. We delivered on both fronts and at the same time kept the business moving forward.

It is pleasing to report strong Digital growth, ongoing momentum in Australia, and in spite of adverse sporting results, market share gains in Italy. UK Retail performance is in line with our expectations given the planned commercial decisions on UK racing media rights and Ladbrokes' horse racing margin, both of which will protect the profitability of our shop estate well into the future.

The business is now looking to the second half with confidence. The sensible and sustainable agreement on picture rights will underpin an improvement in retail footfall. Following the Digital platform migration, the product pipeline is flowing again with some exciting enhancements arriving in time for the new football season. A new model aimed at optimising our online customer acquisition marketing mix is already driving improved effectiveness, supporting enhanced returns on investment through a focus on higher value customers. Finally, the synergies from our recent merger step-up substantially in the second half to deliver a full year saving of £45m.

The business is in good shape and we have come a long way in a short time. The increase in the dividend reflects both the progress made, the opportunities offered by the merger and our confidence in the future."

Enquiries:

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Notes:

(1) *2017 reported results are unaudited and include results from continuing operations for Ladbrokes Coral Group plc for the 6 months to 30 June 2017. 2016 reported results reflect the 6 month period to 30 June 2016 which was before the completion of the merger (1 November 2016) and therefore include results for Ladbrokes PLC only. Both 2017 and 2016 include results from the shops that Ladbrokes Coral Group plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group, up until the point of disposal.*

(2) *2017 proforma results are unaudited and include results for Ladbrokes Coral Group plc for the 6 months to 30 June 2017. 2016 proforma results include results for both Ladbrokes PLC and the Coral Group for the 6 months to 30 June 2016. Both 2017 and 2016 exclude all results from the 360 shops that Ladbrokes Coral Group plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group.*

(3) *Stated pre non-trading items.*

(4) *Proforma Group Operating Profit is stated pre non-trading items.*

(5) *Underlying earnings per share are for continuing operations before non-trading items. The 2016 EPS has been re-presented for the change in treatment of amortisation on acquired intangible assets as disclosed in note 2 of the Accounts.*

(6) *Constant currency basis. Growth on a constant currency basis is calculated by translating both current and prior year performance at the average 2017 exchange rates.*

Conference call

The Company will be hosting a conference call at 10:00am (BST) this morning to discuss the results with slides available on the 'Investor' section of www.ladbrokescoralplc.com.

Call details:

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Confirmation code: 1817016

Replay will be available for seven days on the following numbers:
UK: +44 (0) 207 984 7568 or free phone 0808 101 1153
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Confirmation code: 1817016

Forward looking statements

This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

CEO Statement

Overview

The first half results demonstrate an encouraging start for Ladbrokes Coral with integration targets successfully met, the identification of significant additional synergies and financial performance on track to meet our full year expectations.

On a proforma basis group net revenue was 1% ahead of last year and Group operating profit 7% ahead. Digital net revenue was 17% ahead and 21% after adjusting for the Euros in 2016. Digital sportsbook net revenue was 25% ahead and 34% after adjusting for the Euros, with sportsbook stakes ahead in all brands, helped by the release of new product in Australia and improved player yields in the UK. UK sportsbook gross win margins were in line with last year, while in Australia, positive results and increasingly effective risk management helped gross win margins 1pp higher. Ladbrokes.com.au continues to go from strength-to-strength, driven by a combination of excellent product, highly effective CRM and high profile marketing.

Digital gaming net revenue was 11% ahead of last year, accelerating in the second quarter thanks to increased cross sell from sports in the sportsbook-led brands and CRM improvements including improved reactivation programmes in the Gala brands, both driving volumes.

UK Retail net revenue was 6% behind last year. OTC net revenue was 11% behind with like-for-like OTC stakes in line with management expectations at 7% behind. Excluding the impact of planned commercial actions on media costs and Ladbrokes' horse racing margin, underlying like-for-like[7] OTC stakes were 5% behind last year. Both of these actions will protect the profitability of our shop estate well into the future. OTC gross win margin was 0.3pp behind last year, with improved horse racing results offset by poor football results in the second quarter.

Multi-channel remains at the core of our UK Retail offering and is a key driver of Digital growth. 221k customers signed up to Grid and Connect in the period, while multichannel customers contributed over 50% of Coral.co.uk net revenue and over 35% of Ladbrokes.com net revenue.

European Retail net revenue was 10% behind last year on a constant currency basis, driven by very poor football results in the first quarter. Pleasingly stakes in Eurobet Retail were 13% ahead on a constant currency basis, driven by ongoing optimisation activity improving the average returns from the estate and in-part by higher levels of recycling. As we grow the estate in Belgium through the acquisition of smaller independent operators at low multiples, we see clear bottom line growth in our retail operation. In Ladbrokes Ireland strong cost control more than offset a 7% constant currency decline in net revenue, leaving operating profit 14% ahead. Sportium has delivered significant stakes and gross win growth as a result of a 16% increase in the number of outlets from which services are now available, as we move into new regions.

The reported statutory results show net revenue of £1,204.2m, £542.4m or 82% ahead of last year and operating profit, after charging £106.6m relating to non-trading items, of £51.7m, £14.0m or 37% ahead of last year. This increase reflects the inclusion of the Coral business in the current year numbers.

Integration

Integration has continued at pace, with the move to a single Digital platform delivered in the period. Not only does this enable significant improvements in operational efficiency, but it also allows us to build new product once and deploy it across multiple brands.

We have also largely completed the integration of back office functions, quickly creating a single team and helping give certainty to our colleagues. The majority of back office teams are now located together in Stratford and Gibraltar, and the second half will see the closure of the Rayners Lane office in Harrow.

The ability to spend ten months working closely as one business has allowed us to make progress in delivering synergies and in identifying further substantial opportunities. Accordingly, we were able to upgrade projected synergies to £150m per annum, more than double the original estimate. The additional savings will be driven through better procurement, greater IT efficiencies and the harmonisation of working practices.

Progress against plan

Ladbrokes Coral is a business with significant scale, strong brands in regulated markets and a culture being built on the best of both Ladbrokes and Coral. We are well placed to exploit the opportunities ahead by focusing on five key themes: Technology, Product, Marketing, Multi-Channel and International expansion.

In Technology, we are currently moving colleagues into our new product development centre of excellence, 'LC^2', located in Stratford, East London. Bringing together the major elements of the Group's product development expertise into one location will accelerate the delivery of new product. In addition, in the second half, we will deploy a new Salesforce customer service system enabling each of our customer service centres to support all UK retail and digital brands. We continue to progress the implementation of a new retail EPOS solution and also an improved multi-channel CRM system.

As previously highlighted, the rapid move to one digital platform for the UK brands was knowingly prioritised at the expense of new sportsbook product for Ladbrokes.com in particular. The completion of the migration to one platform in April has enabled the release of a significant amount of new product ahead of the new football season, including Ladbrokes OddsBoost and Coral Build-my-Bet.

We strive to continuously improve our analytical capability to achieve a higher return on investment (ROI) on our customer acquisition marketing spend by targeting higher value customers and improving retention. This has resulted in a reduction in Ladbrokes' UK marketing spend from 33.4% of net revenue to 27.9% by investing less in those channels that were delivering high volumes of lower value customers. Conversely, marketing spend (as a percentage of net revenue) has increased in the Coral and Gala brands as higher returning acquisition channels are optimised. Enhanced analysis of our marketing mix is being delivered through the introduction of a new model, and we anticipate driving a further improvement to marketing ROI in the second half.

Our dual brand strategy has allowed us to trial different marketing approaches to appeal to different customer segments at certain high profile sporting events. For example, in The Open, we positioned the Coral brand to appeal to the 'place' driven customer looking for more ways to win. The Ladbrokes brand was positioned to attract value driven customers targeting an outright win, offering less places but with bigger ante post prices.

We spent the first part of the year improving the multi-channel retail user experience including the extension of the Ladbrokes Grid companion app features to Coral Connect. A key development in the second half will be the launch of online wallet access in the Ladbrokes shop estate, allowing Grid customers to access their online wallet when betting over-the-counter and on SSBTs, and while playing Machines.

And finally, we continue to monitor our international options, in both existing and new geographies, where new opportunities may exist to leverage the Group's brands and expertise.

Sporting Headlines

2017 has so far failed to provide the sporting sparkle of 2016 in terms of shock and surprises. Football has reverted to the norm after the exploits of Leicester City. All of the popular teams in the Premier League finished the season strongly with only Manchester United the exception.

Even when it looked as if results were going to do the bookies a favour, ante-post favourite backers had a dramatic late twist with pre-season bankers Newcastle winning the Championship title in the last minute of the season as Brighton conceded an 89th minute equaliser to Aston Villa. Newcastle, Sheffield United and Portsmouth were all heavily backed in a large number of League winner multiple bets and Jack Grealish's goal is conservatively estimated to have cost us around £1.5m.

Our Italian business suffered from the worst football results in memory during the first quarter. A consistently high number of goals and obliging favourites meaning that both-teams-to-score and multiples markets were particularly rewarding for the punter.

Racing festivals, after an 'annus horribillis' in 2016, have proved very much the bookies' friend so far this year with Cheltenham and Ascot turning in a sequence of friendly results. With the majority of races going the bookies way at Cheltenham and big name favourites such as Churchill and Order of St George being beaten at Royal Ascot it is easy to see why there was a collective sigh of relief at its conclusion.

The Grand National proved less friendly than in previous years with the 16/1 winner One for Arthur proving very popular, notably in our Scottish shops, where patriotic punters really latched onto their local horse. The betting story of the day was the unexpected popularity of the attractively named Cocktails At Dawn, backed from an early 80-1 into 33-1 at the off and far-and-away the worst result on our books. However, customers didn't get much of a run for their money as the horse fell at the first fence.

In other sports, Roger Federer's resurgence proved a shock in the Australian Open but not at Wimbledon, while in Golf, The Open Championship was an above par performance for us despite Jordan Spieth's win. However, The British and Irish Lions tour stands out as the sporting result of the summer; loyal punters had heavily backed the

Lions for each test and the series and so a drawn match and tied series was really a case of the bookies nicking one against the head.

Looking forward, the start of the football season will be the crucial sporting action of the second half and, without offending the boxing purists, we saw the McGregor v Mayweather fight generate a huge amount of interest, with Mayweather's victory saving us from a 'bloody nose'.

Regulatory Development

The outcome of the ongoing triennial review into stakes and prizes is still to be confirmed, with the Department for Culture, Media and Sport stating that an announcement will be made by October 2017 at the earliest. We remain encouraged by the Government's commitment to an evidence-based review, rather than a review based on politics or emotion. Levels of problem gambling in the UK are low by international standards and, according to the Government's own research, have not increased since before FOBTs were introduced into betting shops.

As expected the horse racing levy of 10% on gross win on all channels was introduced in April 2017, and while there has been no statutory demand for a greyhound levy to be introduced on off-shore income, we have indicated we will support such a move and will from January pay a levy voluntarily of 0.6% on stakes. We hope other industry participants will also contribute and hope that it brings a period of stability to the sport.

The Competition and Markets Authority ('CMA') investigation into bonusing terms and conditions in the betting and gaming sector is ongoing with Ladbrokes being identified as one of the brands the CMA is investigating further. We continue to cooperate fully with the CMA and hope to reach a conclusion without any resort to regulatory action. In addition, the CMA have expanded their industry review to cover the terms and conditions applied to the withdrawal of customer funds.

In Australia, the legislation to restrict credit betting passed Parliament this month with a transitionary period of up to six months. A Point of Consumption tax for South Australia was introduced in July as expected. Discussions on advertising restrictions continue but as yet nothing specific is planned. In Italy, we now expect the retail licence renewal process to start in late 2018, with cash deployed in the first quarter of 2019.

In Belgium, the debate on the legality of our virtual product is making its way through the legal system, but there are as yet no clear signs as to when this will be resolved.

Trading Update and Outlook (7 weeks)

In the 7 week period from 1 July 2017 to 20 August 2017, total Group net revenue was 6% ahead of last year (constant currency ("cc") +5%). Digital net revenue was 15% ahead (cc +13%) with sports net revenue up 29% (cc +24%). Sports gross win margins were ahead in the UK and Italy but behind in Australia. Gaming net revenue slowed in the period and was 4% ahead (cc+4%). UK Retail net revenue was 1% down in the period with a strong margin performance in the 7 weeks and an improving stakes position as we re-established coverage of all UK horse racing.

In summary, we are in good shape, we have come a long way in a short time and we have positioned the business well for making the most of the opportunities presented by the merger. The interim results leave us in line with our expectations for the year and while there remains much to do, we are confident in the opportunities that exist for the business. The interim dividend increase to two pence per share reflects our strong progress to date and our plan is that the final dividend will remain unchanged at two pence, giving a total annual dividend of four pence per share.

Proforma Results (unaudited) and the use of Non-GAAP measures

Proforma results:

The reported statutory results for H1 2017 reflect 6 months of trading for Ladbrokes Coral Group plc, while the reported statutory results for H1 2016 cover the 6 months to 30 June 2016 which was pre-merger completion (1 November 2016). Therefore H1 2016 reflects the trading for Ladbrokes PLC only and no trading for the Coral Group. As such, in order to aid the comparison of year-on-year results, the Directors have deemed it appropriate to provide and analyse proforma results for the combined Group as if it had always existed.

Given the changes in capital structure arising from the acquisition of the Coral Group, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, proforma results have only been provided down to Operating Profit. Proforma results are stated before the impact of non-trading items (see Summary of Significant Accounting Policies), the 360 shop divestment required by the CMA and the discontinued High Rollers segment.

As a result of the IFRS 3 requirements to fair value acquired businesses, depreciation and amortisation charges in H1 2017 are not on a comparable basis with the prior year. As such, the Directors believe that the provision of EBITDA within the proformas, and Segment Information, is appropriate as it aids the comparability of "underlying" profit for the period whilst the IFRS 3 impact on depreciation and amortisation annualises.

The tables below reconcile the reported results to proforma results for H1 2017 and H1 2016:

2017 H1 reported results **£m**	Reported results[(1)]	Removal divested shops[(2)]	Coral trading pre acquisition	Proforma results (unaudited)
Revenue	**1,204.2**	**(6.2)**	n/a	**1,198.0**
Cost of sales	(361.8)	1.6	n/a	(360.2)
Gross Profit	**842.4**	**(4.6)**	n/a	**837.8**
Operating expenses	(631.4)	4.6	n/a	(626.8)
EBITDA	**211.0**	-	n/a	**211.0**
Depreciation and amortisation	(54.6)	-	n/a	(54.6)
Share of results from joint venture and associates	1.9	-	n/a	1.9
Operating profit	**158.3**	-	n/a	**158.3**

2016 H1 reported results **£m**	Reported results[(1)]	Removal divested shops[(3)]	Coral trading pre acquisition[(4)]	Proforma results (unaudited)
Revenue	**661.8**	**(32.5)**	**555.2**	**1,184.5**
Cost of sales	(185.7)	8.8	(169.9)	(346.8)
Gross Profit	**476.1**	**(23.7)**	**385.3**	**837.7**
Operating expenses	(386.3)	15.7	(257.0)	(627.6)
EBITDA	**89.8**	**(8.0)**	**128.3**	**210.1**
Depreciation and amortisation	(38.1)	1.1	(27.3)	(64.3)
Share of results from joint venture and associates	2.1	-	-	2.1
Operating profit	**53.8**	**(6.9)**	**101.0**	**147.9**

(1) Excludes the impact of non-trading items
(2) Removal of the impact of the 360 shops (186 Ladbrokes shops, 174 Coral shops) which the Group was required to sell, the results for which are disclosed in Note 3
(3) Removal of the impact of the 186 Ladbrokes shops which the Group was required to sell, the results for which are disclosed in Note 3
(4) Represents the trading results for the Coral Group for the period from 1 January 2016 to 30 June 2016 excluding the 174 Coral branded shops contained within the 360 shops the Group were required to sell

EBITDA is reconciled to the statutory results within a memo in the Consolidated Income Statement on page 22.
All proforma information has been stated under the Groups accounting policies, which have been applied consistently.

Business Review

1. Group

	Reported results[1]			**Proforma results[2]**		
Half year ended 30 June	**H1 2017 £m**	H1 2016 £m	Change %	**H1 2017 £m**	H1 2016 £m	Change %
Revenue	**1,204.2**	661.8	82%	**1,198.0**	1,184.5	1%
Group EBITDA[3]	**211.0**	89.8	135%	**211.0**	210.1	0%
Group operating profit[4]	**51.7**	37.7	37%	**158.3**	147.9	7%

Proforma Group revenue[2] of £1,198.0m was 1% ahead of last year, driven by strong growth in Digital. Proforma Group EBITDA[2] of £211.0m was in line with the prior year. Proforma Group operating profit[2]/[4] of £158.3m, was 7% ahead with Digital 72% ahead (67% on a constant currency basis).

Reported Group operating profit[1] of £51.7m is stated after charging non-trading items of £106.6m which includes a £55.5m non-cash charge for the amortisation on acquired intangible assets and £51.1m relating primarily to other merger and integration related costs. A full analysis of the non-trading items is included in the notes.

2. UK Retail

	Reported results[1]			**Proforma results[2]**		
	H1 2017 £m	H1 2016 £m	Change %	**H1 2017 £m**	H1 2016 £m	Change %
- OTC amounts staked	1,702.9	1,206.3	41%	1,702.9	1,884.3	(10%)
- Machines amounts staked	9,860.8	6,023.0	64%	9,860.8	10,022.3	(2%)
Amounts staked	**11,563.7**	**7,229.3**	**60%**	**11,563.7**	**11,906.6**	**(3%)**
- Ladbrokes gross win margin	17.5%	17.4%	0.1pp	17.5%	17.4%	0.1pp
- Coral gross win margin	18.4%	n/a	n/a	18.4%	19.3%	(0.9pp)
OTC gross win margin	**17.9%**	**17.4%**	**0.5pp**	**17.9%**	**18.2%**	**(0.3pp)**
- OTC gross win	304.1	209.5	45%	304.1	342.1	(11%)
- Machines gross win	405.2	244.5	66%	405.2	408.1	(1%)
Gross win	**709.3**	**454.0**	**56%**	**709.3**	**750.2**	**(5%)**
- OTC net revenue	302.8	204.2	48%	299.7	336.5	(11%)
- Machines net revenue	400.6	241.9	66%	397.5	402.0	(1%)
Net revenue	**703.4**	**446.1**	**58%**	**697.2**	**738.5**	**(6%)**
Gross profit	**513.3**	**325.7**	**58%**	**508.7**	**540.0**	**(6%)**
Operating costs	(383.0)	(240.6)	(59%)	(378.4)	(393.6)	4%
EBITDA[3]	**130.3**	**85.1**	**53%**	**130.3**	**146.4**	**(11%)**
Depreciation	(27.6)	(20.8)	(33%)	(27.6)	(32.5)	15%
Operating profit[3]	**102.7**	**64.3**	**60%**	**102.7**	**113.9**	**(10%)**

Proforma Results[(2)]*:*

UK Retail net revenue of £697.2m was £41.3m or 6% behind last year. EBITDA[(2)] of £130.3m was £16.1m or 11% behind last year. Operating profit[(3)] of £102.7m was £11.2m or 10% behind last year.

OTC net revenue was 11% behind last year (9% after adjusting for the Euros in 2016). OTC stakes were 10% behind last year and after aligning the comparative period for the same number of days and adjusting for the Euros, like-for-like stakes[(5)] were 7% behind. OTC stakes were impacted by the successful structural improvement in Ladbrokes' OTC horse racing gross win margin and the removal of certain horse racing content due to our negotiation with The Racing Partnership. Both actions improved profitability and, adjusting for them, resulted in underlying like-for-like stakes[(5)] 5% behind last year. An industry-first profit share deal was agreed with The Racing Partnership at the end of July resulting in the resumption of coverage of horse racing from all UK racecourses.

SSBTs represented 10% of OTC stakes, growing 23% year-on-year. Around 600 units from the 360 divested shops were redeployed into the Coral estate during H1 and a further re-balancing of units between the two brands is planned for the second half of the year. At 30 June 2017 there were 9,076 units across the Retail estate.

OTC gross win margin of 17.9% was 0.3pp behind last year (Ladbrokes 17.5% +0.1pp; Coral 18.4pp -0.9pp). Horse racing gross win margin was broadly in line with last year, with the Ladbrokes brand starting to benefit from the measures taken to align risk management and customer offers to those operated in the Coral brand. A positive Cheltenham, where only 5 of the 28 races were won by the favourite, was partly offset by the Grand National, where One for Arthur's victory marked the end of a five year run of bookmaker-friendly results. Royal Ascot results were in line with expectations, with volumes benefitting year-on-year from the lack of a major football tournament. Football gross win margin was 2.2pp behind last year, with a positive start to the year offset by poor results in April and very poor results at the end of the UK domestic football season.

Machines net revenue was 1% behind last year, and flat on a like-for-like basis with performance impacted in the second half of Q2 by the lack of full racecourse content. The roll out of in-house content continued with 9 new games being released in the Ladbrokes estate and 6 in the Coral estate. In house content accounted for 17% of B3 slots gross win and B3 slots in total accounted for 33% of machines gross win.

Multichannel sign-ups continued their strong recent trends, with 221k customers signing up across both Grid and Connect during the first half. Around 25% of Connect B2 sessions also include B3 play and over 30% of Connect B2 customers also regularly bet over the counter, reflecting the high levels of multi product play amongst retail customers.

A primary management focus in H1 was on addressing ongoing inflationary pressures in the UK Retail cost base. Operating costs were 4% lower than last year as a result of the initial delivery of synergy savings of around £4m combined with savings in horse racing content costs.

On a reported and proforma basis there were 3,660 shops in the estate at 30 June 2017. On a proforma basis there were 3,694 shops in the estate at 30 June 2016. All of the 360 shops ordered to be divested as a result of the CMA's findings into the merger of Ladbrokes plc and the Coral Group had been divested by the end of the period.

Reported Results[(1)]*:*

On a reported basis, net revenue of £703.4m was £257.3m ahead of last year and EBITDA[(3)] of £130.3m was £45.2m or 53% ahead reflecting the reporting period containing 6 months of trading of Ladbrokes Coral Group plc compared to the prior year period only containing the trading of Ladbrokes PLC.

3. European Retail

	Reported results[1]			Proforma results[2]			
	H1 2017 £m	H1 2016 £m	Change %	**H1 2017 £m**	H1 2016 £m	Change %	Change (constant currency) %
- Sport amounts staked	511.6	231.9	121%	511.6	426.4	20%	8%
- Virtual amounts staked	154.3	71.3	116%	154.3	143.8	7%	(3%)
- Other amounts staked	37.6	6.4	487%	37.6	32.7	15%	5%
Amounts staked	**703.5**	**309.6**	**127%**	**703.5**	**602.9**	**17%**	**5%**
- Eurobet Sports GW margin	12.4%	n/a	n/a	12.4%	19.0%	(6.6pp)	n/a
- Belgium OTC GW margin	22.7%	24.4%	(1.7pp)	22.7%	24.4%	(1.7pp)	n/a
- ROI OTC GW margin	12.4%	12.7%	(0.3pp)	12.4%	12.7%	(0.3pp)	n/a
OTC GW margin	**14.8%**	**17.9%**	**(3.1pp)**	**14.8%**	**18.4%**	**(3.6pp)**	n/a
- Sports gross win	75.5	41.4	82%	75.5	78.5	(4%)	(13%)
- Virtual gross win	24.5	10.0	145%	24.5	22.9	7%	(3%)
- Other gross win	4.4	0.3	1,367%	4.4	3.9	13%	2%
Gross win	**104.4**	**51.7**	**102%**	**104.4**	**105.3**	**(1%)**	**(10%)**
- Sports net revenue	74.7	40.7	84%	74.7	77.8	(4%)	(13%)
- Virtual net revenue	24.5	10.0	145%	24.5	22.9	7%	(3%)
- Other net revenue	4.4	0.3	1,367%	4.4	3.9	13%	2%
Net Revenue	**103.6**	**51.0**	**103%**	**103.6**	**104.6**	**(1%)**	**(10%)**
Gross profit	**52.3**	**35.3**	**48%**	**52.3**	**57.0**	**(8%)**	**(17%)**
Operating Costs	(36.7)	(27.7)	(32%)	(36.7)	(35.1)	(4%)	6%
EBITDA[3]	**15.6**	**7.6**	**105%**	**15.6**	**21.9**	**(29%)**	**(35%)**
Depreciation	(5.5)	(3.0)	(83%)	(5.5)	(9.7)	43%	48%
JV Income	1.0	1.0	0%	1.0	1.0	(1%)	(7%)
Operating Profit[3]	**11.1**	**5.6**	**98%**	**11.1**	**13.2**	**(16%)**	**(24%)**
Net revenue by brand:							
- Eurobet Italy	48.6	n/a	n/a	48.6	53.6	(9%)	(17%)
- Ladbrokes Belgium	35.2	32.0	10%	35.2	32.0	10%	(2%)
- Ladbrokes ROI	19.8	19.0	4%	19.8	19.0	4%	(7%)

European Retail comprises Eurobet Retail (Italy), Ladbrokes Belgium, Ladbrokes Ireland and the Spanish joint-venture Sportium.

Proforma Results[2]:

European Retail net revenue of £103.6m was £1.0m or 1% behind last year. EBITDA[3] of £15.6m was £6.3m or 29% behind and operating profit[3] of £11.1m was £2.1m or 16% behind, primarily due to very poor football results in Italy in the first quarter. On a constant currency basis[5] ("cc"), net revenue was 10% behind, EBITDA was 35% behind and operating profit was 24% behind.

Eurobet Retail

Net revenue of £48.6m was 9% behind last year (7% behind last year excluding the Euros). On a constant currency basis[6] net revenue was 17% behind (15% behind excluding the Euros). Football results in Italy in the first quarter were the worst on record with a long run of unfavourable results resulting in a large number of low stake/high win multiple bets paying out, driving a Q1 sports gross win margin 14.0pp behind last year at 8.9%. Football results returned to more normal levels in the second quarter with sports gross win margin 0.9pp ahead of last year, resulting in a H1 sports gross win margin of 12.4%, 6.6pp behind last year.

Sports stakes were, however, 22% ahead on a constant currency basis[6] (27% excluding the Euros) driven by ongoing optimisation activities across the estate and higher levels of recycling associated with the lower gross win margin. The strong sports staking growth in the period saw Eurobet Retail overtake Lottomattica as the number 2 operator in the Italian Retail sportsbetting market.

Virtual performance was ahead of a sluggish market helped by increased distribution of product, with net revenue 2% behind last year (cc[6] -11%), reflecting a 7% increase in stakes (cc[6] -2%) and gross win margin 1.5pp behind a particularly high margin in H1 last year.

Operating costs were 4% lower on a constant currency basis primarily due to the phasing of costs between H1 and H2.

As at 30 June 2017 there were a total of 807 outlets (2016: 826).

Ladbrokes Belgium

Net revenue of £35.2m was 10% ahead of last year (12% ahead of last year excluding the Euros). On a constant currency basis[6] net revenue was 2% behind (in line with last year excluding the Euros).

Sports staking was 13% ahead of last year (cc[6] +1%) with SSBT growth mostly offsetting a decline in horse racing. Sports gross win margin of 22.7% was 1.7pp behind last year with lower margins in greyhound racing and football. Net revenue from Virtual products was 30% ahead of last year (cc[6] +16%) driven by an increased density of virtual terminals and improved gross win margin.

As at 30 June 2017 there were a total of 502 outlets including both Ladbrokes shops and newsagent outlets, an increase of 49 units from last year, reflecting the acquisition of a number of independent operators and small chains at low multiples.

Ladbrokes Ireland

Net revenue of £19.8m was 4% ahead of last year (6% ahead of last year excluding the Euros). On a constant currency basis[6] net revenue was 7% behind (6% behind excluding the Euros).

On a constant currency basis[6], sportsbook net revenue was 7% behind last year and virtual net revenue was 13% behind. Cost control measures resulted in a 9% reduction in operating costs which more than offset the revenue shortfall and resulted in operating profit 14% ahead.

As at 30 June 2017 there were a total of 141 shops (2016: 142).

Sportium (Spain)

On a constant currency basis[6], stakes were 15% ahead of last year and net revenue was 14% ahead, with a gross win margin of 17.1% (2016: 17.2%). As at 30 June 2017, Sportium services were available from a total of 1,942 outlets (2016: 1,668).

Reported Results[1]:

On a reported basis, net revenue of £103.6m was £52.6m ahead of last year and EBITDA[3] of £15.6m was £8.0m or 105% ahead reflecting the reporting period containing 6 months of trading of Ladbrokes Coral Group plc compared to the prior year period only containing the trading of Ladbrokes PLC.

4. Digital

	Reported results[1]			Proforma results[2]			
	H1 2017 £m	H1 2016 £m	Change %	**H1 2017 £m**	H1 2016 £m	Change %	Change (constant currency) %
Sportsbook amounts staked	**2,802.7**	**1,508.5**	**86%**	**2,802.7**	**2,276.6**	**23%**	**18%**
Sportsbook GW margin	**9.0%**	**8.4%**	**0.6pp**	**9.0%**	**8.6%**	**0.4pp**	n/a
- Sportsbook net revenue	180.7	95.3	90%	180.7	145.1	25%	18%
- Gaming net revenue	193.8	56.4	244%	193.8	174.9	11%	10%
Net Revenue	**374.5**	**151.7**	**147%**	**374.5**	**320.0**	**17%**	**14%**
Gross Profit	**257.4**	**105.1**	**145%**	**257.4**	**222.9**	**15%**	**13%**
Operating Costs	(183.7)	(99.3)	(85%)	(183.7)	(170.9)	(7%)	(5%)
EBITDA[3]	**73.7**	**5.8**	**1,171%**	**73.7**	**52.0**	**42%**	**39%**
Depreciation	(20.6)	(13.0)	(58%)	(20.6)	(20.7)	0%	1%
JV Income	(0.4)	(0.6)	33%	(0.4)	(0.6)	36%	41%
Operating Profit[3]	**52.7**	**(7.8)**	**776%**	**52.7**	**30.7**	**72%**	**67%**

The Digital segment comprises Ladbrokes.com, Coral.co.uk, Galabingo.com, Galacasino.com, Ladbrokes.com.au (Australia), Eurobet.it (Italy), Ladbrokes.be (Belgium) and the Spanish joint-venture Sportium.es.

Proforma Results[2]:

Digital net revenue of £374.5m was 17% ahead of last year and 21% ahead excluding the Euros in 2016 benefitting from the Group's market leading multi-channel offerings in the UK and Italy and continued market leading growth in Australia. Digital EBITDA[3] of £73.7m was £21.7m or 42% ahead of last year and operating profit[3] of £52.7m was £22.0m or 72% ahead.

Actives were 54% ahead in Ladbrokes.com.au driven by increasing levels of brand awareness, an attractive product proposition and effective acquisition offers. Actives were 16% ahead in Gala websites helped by successful promotions and high profile television tie-ups including 'The Chase'. As previously indicated, the change in marketing focus in the UK facing sportsbook-led websites towards higher value customers, resulted in a decrease in actives but a strong increase in player yields.

Sportsbook net revenue was 25% ahead of last year (cc[6] +18%) with sportsbook stakes 23% ahead (cc[6] +18%). After adjusting for the Euros in 2016, sportsbook net revenue was 34% ahead (cc[6] +27%) with sportsbook stakes 27% ahead (cc[6] +21%). Sportsbook stakes were significantly ahead in all non-UK brands including in Australia where sportsbook stakes were 71% ahead (cc[6]+46%). In the UK, sportsbook stakes excluding the Euros were 10% ahead, due in part to the acquisition of customers with a higher predicted ROI, in some instances at the expense of higher-staking, but less profitable, customers.

Multi-channel remains a key component of Digital growth with 53% of Coral.co.uk net revenue and 36% of Ladbrokes.com net revenue being contributed by multi-channel customers. In Italy, 37% of Eurobet.it actives were initially acquired in the Eurobet Retail estate.

Sportsbook gross win margin of 9.0% was 0.4pp ahead of last year. In the UK sportsbook brands, a positive first quarter was largely offset by poor football results in Q2 resulting in an H1 sportsbook gross win margin 0.1pp ahead. In Australia, positive horse racing results and continued improvements to margin management, including customer specific odds differentiation, helped drive sportsbook gross win margin 1.0pp ahead of last year.

Gaming net revenue was 11% ahead of last year (cc[6] +10%) with gaming in the sportsbook-led brands 15% ahead (cc[6] +14%). Gaming net revenue accelerated in the second half of Q2; Galabingo.com net revenue recovered well from a softer first quarter, which was in-part due to a lower gross win margin as several progressive jackpot payouts landed, including a single prize pay-out of £0.8m to one customer. Sportsbook-led gaming net revenue benefited from increased cross-sell from sports and new product releases.

Operating costs were £12.8m or 7% higher than last year driven by the growth in the business, partly offset by the delivery of initial synergy savings. Marketing costs of £100.2m were 11% higher than last year although formed a lower percentage of net revenue at 26.8%, down 1.3pp from last year. A relative reduction in affiliate and sponsorship spend was partly offset by an increase in TV advertising spend.

Reported Results[1]:

On a reported basis, net revenue of £374.5m was £222.8m ahead of last year and EBITDA[3] of £73.7m was £67.9m or 1,171% ahead reflecting the reporting period containing 6 months of trading of Ladbrokes Coral Group plc compared to the prior year period only containing the trading of Ladbrokes PLC.

5. All Other Segments

	Reported results[1]			**Proforma results[2]**		
	H1 2017 £m	H1 2016 £m	Change %	**H1 2017 £m**	H1 2016 £m	Change %
Net Revenue	22.7	13.0	75%	22.7	21.4	6%
Gross Profit	19.4	10.0	94%	19.4	17.8	9%
EBITDA[3]	3.1	1.6	94%	3.1	3.5	(11%)
Depreciation	(0.5)	(0.8)	38%	(0.5)	(1.0)	50%
JV Income	1.3	1.7	(24%)	1.3	1.7	(24%)
Operating Profit[3]	3.9	2.5	56%	3.9	4.2	(7%)

Other operations comprise of Stadia (four greyhound stadia), On Course betting, Telephone Betting, Betdaq, Ladbrokes exchange, SIS, AGT in China and Stadium subsidiary in the USA.

Proforma Results[2]:

Net revenue of £22.7m was 6% ahead of last year with growth in Stadia (+8%) and Telebet (+3%). EBITDA[3] of £3.1m was £0.4m behind last year and Operating profit[3] was £0.3m behind.

Reported Results[1]:

On a reported basis, net revenue of £22.7m was £9.7m ahead of last year and EBITDA[3] of £3.1m was £1.5m or 94% ahead reflecting the reporting period containing 6 months of trading of Ladbrokes Coral Group plc compared to the prior year period only containing the trading of Ladbrokes PLC.

Financial Review

Results from Continuing Operations	Reported results[(1)]		Proforma results[(2)]	
	H1 2017 £m	H1 2016 £m	**H1 2017 £m**	H1 2016 £m
Revenue	**1,204.2**	**661.8**	**1,198.0**	**1,184.5**
Gross profit	**842.4**	**476.1**	**837.8**	**837.7**
EBITDA[(3)]				
UK Retail (underlying)	*130.3*	*77.1*	*130.3*	*146.4*
UK Retail (divested)	-	*8.0*	-	-
UK Retail	130.3	85.1	130.3	146.4
European Retail	15.6	7.6	15.6	21.9
Digital	73.7	5.8	73.7	52.0
Other	3.1	1.6	3.1	3.5
Corporate	(11.7)	(10.3)	(11.7)	(13.7)
EBITDA[(3)]	**211.0**	**89.8**	**211.0**	**210.1**
Operating profit (pre non-trading items)				
UK Retail (underlying)	*102.7*	*57.4*	*102.7*	*113.9*
UK Retail (divested)	-	*6.9*	-	-
UK Retail	102.7	64.3	102.7	113.9
European Retail	11.1	5.6	11.1	13.2
Digital	52.7	(7.8)	52.7	30.7
Other	3.9	2.5	3.9	4.2
Corporate	(12.1)	(10.8)	(12.1)	(14.1)
Operating profit (pre non-trading items)	**158.3**	**53.8**	**158.3**	**147.9**
Non-trading items	(106.6)	(16.1)		
Operating profit	**51.7**	**37.7**		
Net Finance expense (before non-trading items)	(28.6)	(12.5)		
Profit before tax	**23.1**	**25.2**		
Tax	(3.7)	(4.5)		
Profit after tax	**19.4**	**20.7**		

For the 6 months ended 30 June 2017, the Group reported an operating profit (pre-non trading items) from continuing trading operations of £158.3m (2016: £53.8m). The Group also reported non-trading operating items of £106.6m (2016: £16.1m) resulting in a net operating profit of £51.7m (2016: £37.7m). The statutory profit after tax from continuing operations was £19.4m (2016: £20.7m).

As in the business review, proforma information has also been presented.

Revenue

	Reported results(1)		Proforma results(2)	
	H1 2017 £m	H1 2016 £m	**H1 2017 £m**	H1 2016 £m
UK Retail (underlying)	*697.2*	*413.6*	*697.2*	*738.5*
UK Retail (divested)	*6.2*	*32.5*	*-*	*-*
UK Retail	703.4	446.1	697.2	738.5
European Retail	103.6	51.0	103.6	104.6
Digital	374.5	151.7	374.5	320.0
Other	22.7	13.0	22.7	21.4
	1,204.2	**661.8**	**1,198.0**	**1,184.5**

Group proforma(2) revenue increased by £13.5m or 1% to £1,198.0m (2016: £1,184.5m) and by £34.4m or 3% excluding the Euros in 2016. Digital revenue was 17% ahead with growth in all sportsbook-led websites. UK Retail revenue was 6% behind driven by an 11% decline in OTC net revenue and a 1% decline in Machines net revenue. European Retail revenue was 1% behind (10% behind on a constant currency basis) with poor football results in Italy the primary driver of the year-on-year decline.

On a reported basis, net revenue of £1,204.2m was £542.4m or 82% ahead of last year. The increase reflects the inclusion of the acquired Coral business in the current year, as well as the growth in Digital net revenue, partially offset by the decline in UK Retail.

EBITDA

Proforma(2) EBITDA increased by £0.9m with significant growth in Digital and a reduction in corporate costs offset by a fall in EBITDA in UK Retail and European Retail, primarily as a result of the lack of a major football tournament in the current year. Digital EBITDA grew by £21.7m or 42% with strong revenue growth and impressive operational gearing. Strong operating cost control in UK Retail helped offset a 6% fall in net revenue, leaving EBITDA £16.1m or 11% behind. European Retail EBITDA of £15.6m was 29% lower than last year driven by very poor football results in Italy.

Operating profit

After charging depreciation and amortisation of £54.6m (2016: £38.1m) reported operating profit (pre non-trading items) increased by £104.5m or 194% to £158.3m. On a proforma(2) basis operating profit (pre non-trading items) increased £10.4m or 7%.

Non-trading items of £106.6m include the following charges:

- £55.5m non-cash charge primarily for the amortisation of intangible assets acquired with the Coral businesses
- £37.2m of integration related costs
- £12.2m of costs and impairments, primarily associated with the closure of 93 shops in July 2017 (see note 4 for more details).

Finance expense

The net finance expense of £28.6m (2016: £12.5m) was £16.1m higher than last year reflecting the incremental interest cost of the debt drawn down as part of the merger.

Profit before tax

Profit before tax (pre non-trading items) of £129.7m (2016: £41.3m) increased by £88.4m reflecting the growth in the business and the inclusion of the Coral Group's trading in the current year. Post non-trading items, profit before tax was £23.1m (2016: £25.2m).

Taxation

The Group taxation charge on the profit on continuing trading items was £19.8m (2016: £5.1m). This represents an effective tax rate of 15.3% (2016: 12.3%). The total 2017 H1 charge includes a tax credit of £16.1m in relation to non-trading (2016: £0.6m). The estimate of the full year effective tax rate (pre-non trading items) at c15% remains in line with previous guidance to the market in March 2017.

The Group paid £15.0m of corporate income taxes in the period (2016: Net receipt of £34.6m)

Dividend

The Board today announces a proposed interim dividend of 2.0 pence per share (2016: 1.0 pence per share). The dividend will be payable on 9 November 2017 to shareholders on the register on 22 September 2017.

Earnings per share (EPS)

EPS from continuing operations (pre non-trading items) was 5.7 pence (2016: 3.6 pence). Statutory EPS (including non-trading items) was 1.0 pence (2016: 2.0 pence) per share.

Cash flow, capital expenditure, borrowings and banking facilities

Cash generated by operations increased by £33.6m to £150.6m (2016: £117.0m).

After the net interest income of £0.6m (2016: expense £14.1m) which includes a £27.5m receipt in respect of the Spot the Ball VAT claim, and tax payments of £15.0m (2016: £34.6m receipt), cash generated from operating activities was £136.2m (2016: £137.5m)

During the year the Group invested £69.7m in capital expenditure (2016: £31.8m) and an additional £1.3m in its joint ventures and associates (2016: £0.4m), whilst receiving £1.9m for the sale of certain assets (2016: £nil) resulting in a net cash inflow before financing activities of £67.1m (2016: £105.3m).

During the year the Group made net debt repayments of £36.0m on financing facilities made up of an additional drawdown on the Revolving Credit Facility of £189.0m and the repayment of a £225.0m bond.

Post dividend payments of £38.4m (2016: £20.3m) and finance lease payments of £1.9m (2016: £4.8m), total cash outflow for H1 2017 was £9.2m (2016: £79.9m inflow). The year-on-year decrease in cash delivery was driven by increased net debt repayments, integration related payments and a one-off working capital benefit in 2016.

At 30 June 2017 net debt was £1,065.5m (31 December 2016: £1,089.5m) reflecting a net debt to proforma(2) EBITDA ratio of 2.79x.

Going concern

Having assessed the financial forecasts of the business, the principal risks and other matters discussed in the connection with the viability statement, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as the Company will generate sufficient cash to meet its ongoing obligations for at least 12 months from the date of signing the financial statements.

Notes:

(1) *2017 reported results are unaudited and include results from continuing operations for Ladbrokes Coral Group plc for the 6 months to 30 June 2017. 2016 reported results reflect the 6 month period to 30 June 2016 which was before the completion of the merger (1st November 2016) and therefore include results for Ladbrokes PLC only. Both 2017 and 2016 include results from the shops that Ladbrokes Coral Group plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group, up until the point of disposal.*

(2) *2017 proforma results are unaudited and include results for Ladbrokes Coral Group plc for the 6 months to 30 June 2017. 2016 proforma results include results for both Ladbrokes plc and the Coral Group for the 6 months to 30 June 2016. Both 2017 and 2016 exclude all results from the 360 shops that Ladbrokes Coral Group plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group.*

(3) *Stated pre non-trading items.*

(4) *Proforma Group Operating Profit is stated pre non-trading items.*

(5) *UK Retail stakes percentage change is reported on a like-for-like basis and adjusted for the impact of the Euros in 2016. The 2016 period on which the year-on-year change has been calculated has been adjusted to include the same number of days and days of the week (Sunday 3 January 2016 to Friday 1 July 2016).*

(6) *Constant currency basis. Growth on a constant currency basis is calculated by translating both current and prior year performance at the average 2017 exchange rates.*

Principal risks and uncertainties

Key risks are reviewed by the Executive Committee (made up of executive directors and senior executives) and the Board of Ladbrokes Coral plc on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified. The Board has overall responsibility for risk management as an integral part of strategic planning

The principal risks and uncertainties which could impact the Group are detailed on pages 37 to 41 of the Group's Annual Report and Accounts 2016 and are as follows:

Strategy

Achieving the Group's strategy will deliver long-term growth for the benefit of all stakeholders whilst minimising some of the key risks that the Group faces. Failure to achieve the strategy has the potential to affect the business and its performance.

Principal risks faced by Ladbrokes Coral that are comparable to those faced by most other businesses:

Additional risks not presently known to management, or currently deemed less material may also have an adverse effect on the business**.**

Marketplace and operational

Changes in the economic environment, the impact of Brexit, changes in consumer leisure spend and international expansion.

Financial

The availability of debt financing and costs of borrowing, taxation and the pension fund liability.

Specific risks which are either unique or material to Ladbrokes Coral or apply to the industry it operates in and not set out in any order of priority:

Betting and gaming industry

Taxes, laws, regulations, licensing and regulatory compliance

Regulatory, legislative and fiscal regimes for betting and gaming in key markets around the world can change, sometimes at short notice. Such changes could benefit or have an adverse effect on Ladbrokes Coral and additional costs might be incurred in order to comply with any new laws or regulations in multiple jurisdictions.

Increased cost of product

Ladbrokes Coral is subject to certain financing arrangements intended to support industries from which it profits. Examples are the horseracing and the voluntary greyhound racing levies which respectively support the British horseracing and greyhound industries. In addition, Ladbrokes Coral enters into contracts for the distribution of television pictures, audio and other data that are broadcast into Ladbrokes and Coral betting shops. A number of these are under negotiation at any one time.

Operational and bookmaking

Trading, liability management and pricing

Ladbrokes Coral may experience significant losses as a result of a failure to determine accurately the odds in relation to any particular event and/or any failure of its risk management processes.

Loss of key locations

Ladbrokes Coral has a number of key sites, particularly in Greater London in Stratford and Victoria, its premises in Europort and Regal House in Gibraltar from where online betting and gaming operations are based; in Tel Aviv, Israel and Manila Philippines, from where our Digital marketing operates and our operations in Australia, Italy and Eire.

Recruitment and retention of key employees and succession planning

Our people are our greatest asset. We aim to be an employer of choice for talented and passionate people and we need a high level of competence across the business to meet our objectives and respond to changing market needs.

Information technology and communications

Technology failure

Ladbrokes Coral operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail. In particular, any damage to, or failure of online systems and servers, electronic point of sale systems and electronic display systems could result in interruptions to financial controls and customer service systems. The Groups technology function is undertaking a significant programme of complex work through the merger.

Data management

Ladbrokes Coral processes sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. Ladbrokes Coral is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation. This could also result in prosecutions including financial penalties and the loss of the goodwill of its customers and deter new customers.

Failure in the supply chain

Ladbrokes Coral is dependent on a number of third parties for the operation of its business. The withdrawal or removal from the market of one or more of these major third party suppliers, or failure of third party suppliers to comply with contractual obligations could adversely affect Ladbrokes Coral operations.

Marketplace

Competition

Ladbrokes Coral faces competition primarily from other land based bookmakers, online betting exchanges and other online gambling operators. In particular, the online gambling market is characterised by intense and substantial competition and by relatively low barriers to entry for new participants. In addition, Ladbrokes Coral faces competition from market participants who benefit from greater liquidity as a result of accepting bets and wagers from jurisdictions in which Ladbrokes Coral chooses not to operate (because of legal reasons or otherwise).

Health and Safety

Failure to meet the requirements of the various domestic and international rules and regulations could expose the company (and individual employees and directors) to material civil/criminal action with the associated financial and reputational consequences

Statement of Directors' Responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year, and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

A list of current directors is maintained on the Ladbrokes Coral Group Plc website www.ladbrokescoralplc.com.

By order of the Board

J Mullen	J Kelly
Chief Executive	Chairman

30 August 2017

Independent review report to Ladbrokes Coral Group plc

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Ladbrokes Coral Group plc's condensed consolidated financial statements (the "interim financial statements") in the interim results of Ladbrokes Coral Group Plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the interim consolidated balance sheet as at 30 June 2017;
- the condensed consolidated income statement and statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 August 2017

Notes:

a) The maintenance and integrity of the Ladbrokes Coral Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Unaudited financial statements
Interim consolidated income statement

For the half year ended 30 June				2017			2016 (Restated)
	Notes	Trading items £m	Non-trading items £m	Total £m	Trading items £m	Non-trading items £m	Total £m
Continuing operations							
Revenue	3	**1,204.2**	**-**	**1,204.2**	**661.8**	**-**	**661.8**
Cost of sales		(361.8)	-	(361.8)	(185.7)	-	(185.7)
Gross profit		**842.4**	**-**	**842.4**	**476.1**	**-**	**476.1**
Operating expenses, depreciation and amortisation	4	(686.0)	(106.6)	(792.6)	(424.4)	(16.1)	(440.5)
Group operating profit/(loss) before share of results from joint venture and associates		**156.4**	**(106.6)**	**49.8**	**51.7**	**(16.1)**	**35.6**
Share of results from joint venture and associates		1.9	-	1.9	2.1	-	2.1
Group operating profit/(loss)		**158.3**	**(106.6)**	**51.7**	**53.8**	**(16.1)**	**37.7**
Finance expense		(29.8)	-	(29.8)	(13.3)	-	(13.3)
Finance income		1.2	-	1.2	0.8	-	0.8
Profit/(loss) before tax		**129.7**	**(106.6)**	**23.1**	**41.3**	**(16.1)**	**25.2**
Income tax (expense)/credit	5	(19.8)	16.1	(3.7)	(5.1)	0.6	(4.5)
Profit/(loss) for the period from continuing operations		**109.9**	**(90.5)**	**19.4**	**36.2**	**(15.5)**	**20.7**
Discontinued operations							
Profit for the period from discontinued operations after tax		-	-	-	-	-	-
Profit/(loss) for the period		**109.9**	**(90.5)**	**19.4**	**36.2**	**(15.5)**	**20.7**
Attributable to:							
Equity holders of the parent		109.9	(90.5)	19.4	36.2	(15.5)	20.7
Earnings per share on profit/(loss) for the period from continuing and discontinued operations	7						
– from continuing operations		5.7p	-	1.0p	3.6p	-	2.0p
– from discontinuing operations		-	-	-	-	-	-
From profit/(loss) for the period		5.7p	-	1.0p	3.6p	-	2.0p
Diluted earnings per share on profit/(loss) for the period from continuing and discontinued operations							
– from continuing operations		5.7p	-	1.0p	3.5p	-	2.0p
– from discontinuing operations		-	-	-	-	-	-
From profit/(loss) for the period		5.7p	-	1.0p	3.5p		2.0p
Proposed dividends		-	-	2.0p	-	-	1.0p

Memo

EBITDA	211.0	(49.9)	161.1	89.8	(13.5)	76.3
Depreciation, amortisation and impairment	(54.6)	(57.8)	(112.4)	(38.1)	(2.6)	(40.7)
Profit on disposal of assets	-	1.1	1.1	-	-	-
Share of results from joint ventures and associates	1.9	-	1.9	2.1	-	2.1
Group operating profit/(loss)	**158.3**	**(106.6)**	**51.7**	**53.8**	**(16.1)**	**37.7**

Interim consolidated statement of comprehensive income

	Half year ended 30 June 2017 £m	Half year ended 30 June 2016 £m
Profit for the period	19.4	20.7
Other comprehensive income / (expense):		
Items that may be reclassified to profit or loss:		
Currency translation differences	6.1	11.4
Total items that will be reclassified to profit or loss	6.1	11.4
Items that will not be re-classified to profit or loss:		
Re-measurement of defined benefit pension scheme	(5.9)	15.5
Tax on re-measurement of defined benefit pension scheme	2.1	(2.8)
Total items that will not be reclassified to profit or loss	(3.8)	12.7
Other comprehensive income for the period, net of tax	**2.3**	**24.1**
Total comprehensive income for the period	**21.7**	**44.8**
Attributable to:		
- equity holders of the parent	21.7	44.8
- non-controlling interests	-	-

Interim consolidated balance sheet

	30 June 2017	30 June 2016 (Represented)	31 December 2016
	£m	£m	£m
ASSETS			
Non-current assets			
Goodwill	1,077.5	162.5	1,070.4
Intangible assets	1,556.6	520.0	1,592.9
Property, plant and equipment	224.1	173.6	228.3
Interest in joint venture	17.8	13.9	15.3
Interest in associates and other investments	27.5	24.1	26.1
Other financial assets	1.6	8.0	1.6
Deferred tax assets	8.6	8.0	8.4
Retirement benefit asset	128.5	93.5	131.7
	3,042.2	1,003.6	3,074.7
Current assets			
Trade and other receivables	93.5	61.2	126.5
Inventory	1.5	0.7	1.6
Corporation tax recoverable	12.4	4.8	8.7
Derivative financial instrument	-	-	0.1
Cash and short-term deposits	136.8	149.5	146.2
	244.2	216.2	283.1
Assets of disposal group classified as assets held for sale	-	-	34.6
TOTAL ASSETS	**3,286.4**	**1,219.8**	**3,392.4**
LIABILITIES			
Current liabilities			
Bank overdraft	(1.0)	-	(1.7)
Interest bearing loans and borrowings	(173.4)	(224.6)	(399.4)
Trade and other payables	(452.0)	(284.5)	(503.8)
Corporation tax liabilities	(12.0)	(4.8)	(12.1)
Other financial liabilities	(10.7)	(9.0)	(14.1)
Lease liabilities	(2.0)	(1.5)	(2.6)
Provisions	(30.2)	(11.1)	(36.1)
	(681.3)	(535.5)	(969.8)
Non-current liabilities			
Interest bearing loans and borrowings	(942.3)	(99.0)	(749.6)
Other financial liabilities	(38.0)	(35.4)	(38.2)
Deferred tax liabilities	(174.8)	(59.6)	(184.2)
Lease liabilities	(0.7)	(3.1)	(2.0)
Provisions	(27.9)	(3.5)	(13.4)
	(1,183.7)	(200.6)	(987.4)
TOTAL LIABILITIES	**(1,865.0)**	**(736.1)**	**(1,957.2)**
NET ASSETS	**1,421.4**	**483.7**	**1,435.2**
SHAREHOLDER'S EQUITY			
Issued share capital	551.4	297.6	551.4
Share premium	335.1	303.1	335.1
Merger reserve	921.7	-	921.7
Treasury and own shares	(107.5)	(111.3)	(110.6)
Accumulated losses	(285.3)	(13.6)	(262.3)
Foreign currency translation reserve	5.9	7.8	(0.2)
Equity attributable to owners of the parent	**1,421.3**	**483.6**	**1,435.1**
Non-controlling interests	0.1	0.1	0.1
TOTAL EQUITY	**1,421.4**	**483.7**	**1,435.2**

Interim consolidated statement of changes in equity

	Issued share capital £m	Share premium £m	Merger Reserve £m	Treasury and own shares £m	Retained earnings £m	Foreign currency translation reserve[1] £m	Attributable to the equity shareholders of the Company £m	Non-controlling interest £m	Total share-holders equity £m
At 1 January 2016	**297.5**	**302.9**	**-**	**(112.3)**	**(28.1)**	**(3.6)**	**456.4**	**0.1**	**456.5**
Profit for the period	-	-	-	-	20.7	-	20.7	-	20.7
Other comprehensive income	-	-	-	-	12.7	11.4	24.1	-	24.1
Total comprehensive income	-	-	-	-	33.4	11.4	44.8	-	44.8
Issue of shares, net of transaction costs	0.1	0.2	-	-	-	-	0.3	-	0.3
Share-based payments charge	-	-	-	-	3.0	-	3.0	-	3.0
Net movement in shares held in ESOP trusts	-	-	-	1.0	(1.6)	-	(0.6)	-	(0.6)
Equity dividends	-	-	-	-	(20.3)	-	(20.3)	-	(20.3)
At 30 June 2016	**297.6**	**303.1**	**-**	**(111.3)**	**(13.6)**	**7.8**	**483.6**	**0.1**	**483.7**
At 1 January 2017	**551.4**	**335.1**	**921.7**	**(110.6)**	**(262.3)**	**(0.2)**	**1,435.1**	**0.1**	**1,435.2**
Profit for the period	-	-	-	-	19.4	-	19.4	-	19.4
Other comprehensive income	-	-	-	-	(3.8)	6.1	2.3	-	2.3
Total comprehensive income	-	-	-	-	15.6	6.1	21.7	-	21.7
Issue of shares, net of transaction costs	-	-	-	-	-	-	-	-	-
Share-based payments charge	-	-	-	-	2.9	-	2.9	-	2.9
Net movement in shares held in ESOP trusts	-	-	-	3.1	(3.1)	-	-	-	-
Equity dividends	-	-	-	-	(38.4)	-	(38.4)	-	(38.4)
At 30 June 2017	**551.4**	**335.1**	**921.7**	**(107.5)**	**(285.3)**	**5.9**	**1,421.3**	**0.1**	**1,421.4**

[1] *The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.*

Interim consolidated statement of cash flows

	Notes	Half year ended 30 June 2017 £m	Half year ended 30 June 2016 (Represented) £m
Cash generated by operations	10	**150.6**	**117.0**
Income taxes (paid) / received		(15.0)	34.6
Net finance income/(expense)		0.6	(14.1)
Net cash generated from operating activities		**136.2**	**137.5**
Cash flows from investing activities:			
Acquisition		(3.4)	-
Purchase of intangible assets		(40.9)	(16.9)
Purchase of property, plant and equipment		(25.4)	(14.9)
Proceeds from sales of plant, property and equipment including disposal of shops		1.9	-
Additional investment in joint venture		(1.3)	(0.4)
Net cash used in investing activities		(69.1)	(32.2)
Cash flows from financing activities:			
Proceeds from issue of ordinary shares		-	0.3
Purchase of ESOP shares		-	(0.6)
Proceeds from borrowings		189.0	-
Finance lease payments		(1.9)	(4.8)
Repayment of borrowings		(225.0)	-
Equity dividends paid	6	(38.4)	(20.3)
Net cash used in financing activities		(76.3)	(25.4)
Net (decrease)/increase in cash and cash equivalents		(9.2)	79.9
Effect of changes in foreign exchange rates		0.5	1.2
Cash and cash equivalents (inc. overdraft) at beginning of the period		144.5	68.4
Cash and cash equivalents (inc. overdraft) at end of the period		**135.8**	**149.5**

Notes to financial information

1. Corporate information

Ladbrokes Coral Group Plc ("the Company") is a limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded. The principal activities of the Company and its subsidiaries ("the Group") are described in Note 3.

2. Basis of preparation

(a) The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

(b) The Group's annual financial statements for the year ended 31 December 2016 were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) pronouncements as adopted for use in the European Union. The interim condensed consolidated financial statements for the half year ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 other than taxes on income in the interim periods being accrued using the tax rate that would be applicable to expected total annual profit and loss.

The interim financial information was approved by a duly appointed and authorised committee of the Board of Directors on 30 August 2017 and is unaudited.

The financial information does not amount to full statutory accounts within the meaning of section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and Accounts of Ladbrokes Coral Group Plc for the year ended 31 December 2016 which was prepared in accordance with IFRS as adopted by the European Union and were filed with the Registrar of Companies. This report is available either on request from the Company's registered office or to download from www.ladbrokescoralplc.com. The auditors' report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

(c) To assist in understanding the underlying performance, the Group has defined the following items of pre-tax income and expense as non-trading in nature:

- profits or losses on disposal, closure or impairment of non-current assets or businesses;
- unrealised gains and losses on derivative financial instruments;
- amortisation of acquired intangibles;
- corporate transaction costs;
- changes in the fair value of contingent consideration; and
- the related tax impact effect on these items.

Any other non-recurring items are considered individually for classification as non-trading by virtue of their nature and size. The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The non-trading items have been included within the appropriate classifications in the consolidated income statement.

Notes to financial information

2. Basis of preparation (continued)

(d) A number of amendments to IFRSs became effective for the financial year beginning 1 January 2017 however these have had no material impact on the financial statements:

The standards and interpretations that are issued, but not effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9, 'Financial instruments', which addresses the classification, measurement and recognition of financial assets and liabilities, was issued in July 2015. IFRS 9 retains and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of the classification depends on the business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is assessing the impact of IFRS 9. At this stage the impact is expected to be limited.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will only impact revenue that is it not governed by IAS 39. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier adoption is permitted. The Group has determined that the impact of IFRS 15 will be limited.

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard replaces IAS 17 'Leases' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group is assessing the impact of IFRS 16. At this stage the effects have not been quantified, but the potential impacts are expected to be material given the extent of operating leases over property and equipment. IFRS 16 is yet to be EU endorsed.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(e) The 2016 interim comparative balance sheet has been represented to disclose inventory as a separate item. Previously inventory had been included within trade and other receivables (£0.7m). Antepost liabilities previously disclosed within other creditors have also been represented to financial liabilities (£9.0m).

The 2016 consolidated income statement has been restated to disclose separately cost of sales, gross profit and operating costs. Secondly amortisation of acquired intangibles has been presented as a non-trading item (£1.6m), all of which are consistent with the treatment adopted at the year end.

Notes to financial information

3. Segment information

The Group’s operating segments are based on the reports reviewed by the Executive management team (who are collectively considered to be the Chief Operating Decision Maker (CODM)) to make strategic decisions, and allocate resources.

IFRS 8 requires segment information to be presented on the same basis as that used by the CODM for assessing performance and allocating resources, and the Group’s operating segments are now aggregated into the five reportable segments as detailed below:

- UK Retail: comprises betting activities in the shop estate in Great Britain and Northern Ireland. UK divested includes the results of the shops that had to be sold in accordance with the findings of the Competition and Market Authority on the merger. UK underlying is the results of all other shops;
- European Retail: comprises all activities connected with the Republic of Ireland, Belgium, Italy and Spain (JV) shop estates;
- Digital: comprises betting and gaming activities from online and mobile operations which include Ladbrokes.com, Coral.co.uk, Galabingo.com, Ladbrokes Australia, Eurobet.it, Belgium online and Spain (JV) online;
- All other segments: comprises activities primarily related to telephones (excluding High Rollers), Stadia, Betdaq and on course pitches; and
- Corporate: includes costs associated with Group functions including Group executive, legal, Group finance, tax and treasury.

During the prior year the Group discontinued its High Rollers segment reflecting the Groups intention to focus on its recreational customer base going forwards. The Executive management team continues to assess the performance of operating segments based on a measure of net revenue, EBITDA, operating profit, profit before tax and net finance expenses. This measurement basis excludes the effect of non-trading items (income or expenditure) from the operating segments. Transfer prices between operating segments are on an arm’s-length basis in a manner similar to transactions with third parties.

The segment results for the half year ended 30 June 2017 were as follows:

2017	UK Retail underlying £m	UK Retail divested £m	UK Retail Total £m	European Retail £m	Digital £m	All other segments £m	Corporate £m	Total Group £m
Revenue	697.2	6.2	703.4	103.6	374.5	22.7	-	1,204.2
Gross Profit	508.7	4.6	513.3	52.3	257.4	19.4	-	842.4
Operating costs	(378.4)	(4.6)	(383.0)	(36.7)	(183.7)	(16.3)	(11.7)	(631.4)
EBITDA before non-trading items	130.3	-	130.3	15.6	73.7	3.1	(11.7)	211.0
Depreciation and Amortisation	(27.6)	-	(27.6)	(5.5)	(20.6)	(0.5)	(0.4)	(54.6)
Share of joint ventures and associates	-	-	-	1.0	(0.4)	1.3	-	1.9
Profit/(loss) before non-trading items	102.7	-	102.7	11.1	52.7	3.9	(12.1)	158.3
Non-trading items	(17.7)	-	(17.7)	(9.0)	(37.9)	(1.2)	(40.8)	(106.6)
Profit before tax and net finance expenses	**85.0**	**-**	**85.0**	**2.1**	**14.8**	**2.7**	**(52.9)**	**51.7**
Net finance expenses								(28.6)
Profit before tax								23.1
Income tax								(3.7)
Profit for the period from continuing operations								**19.4**
Profit for the period from discontinued operations after tax								-
Profit for the period after discontinued operations								**19.4**

Notes to financial information

3. Segment information (continued)

The segment results for the half year ended 30 June 2016 were as follows:

- **2016 (Restated)**	UK Retail underlying £m	UK Retail divested £m	UK Retail Total £m	European Retail £m	Digital £m	All other segments £m	Corporate £m	Total Group £m
Revenue	413.6	32.5	446.1	51.0	151.7	13.0	-	661.8
Gross Profit	302.0	23.7	325.7	35.3	105.1	10.0	-	476.1
Operating costs	(224.9)	(15.7)	(240.6)	(27.7)	(99.3)	(8.4)	(10.3)	(386.3)
EBITDA before non-trading items	77.1	8.0	85.1	7.6	5.8	1.6	(10.3)	89.8
Depreciation and Amortisation	(19.7)	(1.1)	(20.8)	(3.0)	(13.0)	(0.8)	(0.5)	(38.1)
Share of joint ventures and associates	-	-	-	1.0	(0.6)	1.7	-	2.1
Profit/(loss) before non-trading items	57.4	6.9	64.3	5.6	(7.8)	2.5	(10.8)	53.8
Non-trading items	0.8	-	0.8	-	0.2	(1.6)	(15.5)	(16.1)
Profit before tax and net finance expenses	**58.2**	**6.9**	**65.1**	**5.6**	**(7.6)**	**0.9**	**(26.3)**	**37.7**
Net finance expenses								(12.5)
Profit before tax								25.2
Income tax								(4.5)
Profit for the period from continuing operations								**20.7**
Profit for the period from discontinued operations after tax								-
Profit for the period after discontinued operations								**20.7**

Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

Geographical information

Revenue by destination for the Group, is as follows:

	Half year ended 30 June 2017 £m	Half year ended 30 June 2016 £m
United Kingdom	990.9	565.9
Rest of the World	213.3	95.9
Total	**1,204.2**	**661.8**

Notes to financial information

4. Non-trading items

	Half year ended 30 June 2017 £m	Half year ended 30 June 2016 £m (Restated)
Amortisation of acquired intangibles [(1)]	(55.5)	(1.6)
Corporate transaction costs [(2)]	(2.8)	(5.6)
Integration costs [(3)]	(37.2)	(6.5)
Impairment loss[(4)]	(2.3)	(1.0)
Legal and onerous contract provisions [(5)]	(9.9)	(1.6)
Profit on disposal of assets	1.1	-
Fair value adjustment to contingent consideration	-	0.2
Total before tax	**(106.6)**	**(16.1)**
Exceptional tax credit	16.1	0.6
Total after tax	**(90.5)**	**(15.5)**

(1) *The Group has incurred £55.5m of amortisation charges on acquired intangible assets primarily arising from the acquisition of Coral and the change in the useful economic life of UK Retail licenses (2016: £1.6m in relation to customer lists in Australia and Betdaq).*

(2) *The Group incurred an additional £2.8m of corporate transaction costs in relation to the merger.*

(3) *Costs associated with the integration of Ladbrokes and Coral businesses, including a proportion of the redundancy costs expected to arise from the merger.*

(4) *The impairment loss primarily relates to asset write offs on UK closed shops.*

(5) *Legal and onerous contract provisions include onerous contracts that have arisen as a result of shop closures and other legal provisions outside the ordinary course of business.*

5. Taxation

The tax charge for the half year ended 30 June 2017 was £3.7m (30 June 2016: £4.5m) of which a credit of £16.1m (30 June 2016: £0.6m) related to non-trading items.

In the Budget on 16 March 2016, the Chancellor announced that the standard rate of UK Corporation Tax would be reduced from 20% to 17%. The rate reduced from 20% to 19% on 1 April 2017. A further reduction to 17% will take effect from 1 April 2020.

The deferred tax assets and liabilities at the balance sheet date (with exception of the liability in respect of retirement benefit assets) are calculated at the substantively enacted rate of 17% (June 2016: 18%). Although the reduction to 17% is effective from 1 April 2020, this was substantively enacted on 6 September 2016. Deferred tax on retirement benefit assets is provided at 35% (June 2016: 18%) following a reassessment of the rate likely to apply to a refund.

Notes to financial information

6. Dividends

	Half year ended 30 June 2017 Pence	Half year ended 30 June 2016 Pence
Interim	2.0	1.0

An interim dividend of 2.0 pence per share (30 June 2016: 1.0 pence) was declared by the directors at their meeting on 30 August 2017. These financial statements do not reflect this dividend payable. The 2016 final dividend of 2.0 pence per share (£38.4m) was paid in the half year ended 30 June 2017 (30 June 2016: £20.3m).

7. Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to shareholders of the Company of £19.4m (30 June 2016: £20.7m) by the weighted average number of shares in issue during the half year of 1,914.6m (30 June 2016: 1,018.4m).

The calculation of adjusted earnings per share before exceptional items is included as it provides a better understanding of the underlying performance of the Group. Exceptional items are defined in note 2 and disclosed in note 4.

	Half year ended 30 June 2017 £m	Half year ended 30 June 2016 £m (Restated)
Profit / (loss) attributable to shareholders	19.4	20.7
Non-trading items after tax (note 4)	90.5	15.5
Adjusted profit attributable to shareholders	**109.9**	**36.2**

Weighted average number of shares (m):		
Shares for basic earnings per share	1,914.6	1,018.4
Potentially dilutive share options and contingently issuable shares	11.6	9.9
Shares for diluted earnings per share	1,926.2	1,028.3

	Half year ended 30 June			
	Before non-trading items		**After non-trading items**	
Stated in pence	2017	2016 (Restated)	2017	2016
Basic earnings per share	5.7	3.6	1.0	2.0
Diluted earnings per share	5.7	3.5	1.0	2.0

Notes to financial information

8. Non-current assets

During the half year ended 30 June 2017, the Group recognised goodwill of £3.4m relating to small acqusition, other intangible assets at a cost of £43.4m (30 June 2016: £15.4m) and plant, property and equipment of £25.4m (30 June 2016: £17.6m).

The remaining movement in goodwill related to a foreign exchange gain of £3.7m

At 30 June 2017 the Group had no contractual commitments for the acquisition of property, plant and equipment (31 December 2016: £nil).

9. Net debt

The components of the Group's net debt are as follows:

	30 June 2017 £m	31 December 2016 £m
Current assets		
Cash and short-term deposits	53.9	65.8
Current liabilities		
Bank overdrafts	(1.0)	(1.7)
Current obligations under finance leases	(2.0)	(2.6)
Interest bearing loans and borrowings	(173.4)	(399.4)
Non-current liabilities		
Interest bearing loans and borrowings	(942.3)	(749.6)
Non-current obligations under finance leases	(0.7)	(2.0)
Net debt	**(1,065.5)**	**(1,089.5)**

Cash and short-term deposits presented on the balance sheet of £136.8m (31 December 2016: £146.2m) include customer funds of £82.9m (31 December 2016: £80.4m)

As at 30 June 2017 £224.0m of committed bank facilities were undrawn (31 December 2016: £413.0m).

Notes to financial information

10. Note to the statement of cash flows

	Half year ended 30 June 2017 £m	Half year ended 30 June 2016 (Represented) £m
Profit before tax and net finance expense	51.7	37.7
Impairment	2.3	1.0
Profit on disposal of assets	(1.1)	-
Depreciation of property, plant and equipment	29.1	20.5
Amortisation of intangible assets	81.0	19.2
Share-based payments charge	2.9	3.0
Decrease/(Increase) in trade and other receivables	4.7	(1.8)
(Decrease)/Increase in other financial liabilities	(3.5)	-
(Decrease)/Increase in trade and other payables	(20.6)	45.9
Increase/(Decrease) in provisions	8.6	(5.3)
Contribution to retirement benefit scheme	(2.6)	(0.8)
Share of results from joint venture	(0.6)	(0.4)
Share of results from associates	(1.3)	(1.7)
Other items	-	(0.3)
Cash generated by operations	**150.6**	**117.0**

During the period the Group paid cash in respect of non-trading items (excluding £1.9m (2016: £nil) of proceeds on disposal of assets) of £16.6m (2016: £8.3m).

11. Related party transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Half year ended 30 June 2017 £m	Half year ended 30 June 2016 £m
Equity investment		
- Joint venture (1)	1.3	0.4
- Associates	-	1.1
Sundry expenditures		
- Associates (2)	34.6	26.3

(1) *Equity investment in Sportium Apuestas Deportivas SA.*
(2) *Payments in the normal course of business made to Satellite Information Services (Holdings) Limited.*

The following table provides related party outstanding balances.

	30 June 2017 £m	31 December 2016 £m
Loan balances outstanding		
- Joint venture	1.6	0.6
Other receivables/(payables) outstanding		
- Associates	(0.3)	(3.0)
- Joint venture	0.4	1.6

Notes to financial information

12. Financial guarantees

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. The Group received an indemnity from Hilton Hotels Corporation (HHC), at the time of the hotels disposal, in relation to any loss the Group may subsequently incur under these third party guarantees. The guarantees expire between 2017 and 2042 and the lease liabilities comprise a combination of minimum contractual and turnover based elements.

The undiscounted maximum liability exposure in respect of the guarantees for all years up to 2042 is £539.5 m (31 December 2016: £539.5 m), with a maximum indemnity receivable of the same amount. Included in the maximum liability exposure is £389.2 m (31 December 2016: £389.2m) in relation to the turnover based element of the hotel rentals and £150.3 m (31 December 2016: £150.3m) in relation to the minimum contractual based element. The maximum liability represents the total of all guaranteed rentals under the non-cancellable agreements into which the Group has entered.

The net present value of the maximum exposure at 30 June 2017 is £214.9 m (31 December 2016: £214.9m). Included in the net present value of the maximum exposure is £146.3 milion (31 December 2016: £146.3m) in relation to the turnover based element of the hotel rentals and £68.6 m (31 December 2016: £68.6m) in relation to the minimum contractual based element.

The Group monitors its exposure under these guarantees on a regular basis and seeks, where appropriate, to novate its obligations.

At 30 June 2017 the Group has recognised a financial liability of £2.9 m (31 December 2016: £2.9m) in respect of these guarantees. The key assumption in the probability model is the hotels default rate. A rate of 1.25% has been used at 30 June 2017 (31 December 2016: 1.25%).

The financial guarantees liability has been valued using a probability based model to estimate the net present value of the liabilities payable in the event of a default by the hotels covered by the guarantees, and the probability of such a default and new tenants being identified.

A 0.5 percentage point increase in the default rate would increase the financial liability by £1.0m. A 1.0 percentage point increase in the discount rate would reduce the financial liability by £0.2m.

13. Financial instruments

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017, by level of fair value hierarchy.

	30 June 2017				**30 June 2016**				**31 December 2016**			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Assets measured at fair value												
Derivatives	-	-	-	**-**	-	-		**-**	-	0.1	-	**0.1**
Other financial assets	-	-	5.7	**5.7**	-	-	3.4	**3.4**	-	-	5.4	**5.4**
Total	-	-	5.7	**5.7**	-	-	3.4	**3.4**	-	0.1	5.4	**5.5**
Liabilities measured at fair value												
Ante-post liabilities	-	-	(10.7)	**(10.7)**	-	-	(9.0)	**(9.0)**	-	-	(14.1)	**(14.1)**
Other non-current financial liabilities	-	-	(2.9)	**(2.9)**	-	-	(35.3)	**(35.3)**	-	-	(2.9)	**(2.9)**
Total	-	-	(13.6)	**(13.6)**	-	-	(44.3)	**(44.3)**	-	-	(17.0)	**(17.0)**
Net liabilities measured as fair value	-	-	(7.9)	**(7.9)**	-	-	(40.9)	**(40.9)**	-	0.1	(11.6)	**(11.5)**

Notes to financial information

13. Financial instruments (continued)

Included within other financial assets if the Group's investment in Hui 10. An equity investment measured at an initial fair value of £4.4m on 31 October 2016. There have been no changes in the fair value of the investment at 31 December 2016 or 30 June 2017.

Ante post liabilities are valued using methods and inputs that are not based on observable market data. The principal assumptions relate to anticipated gross win margins on unsettled bets. There are no reasonably postable changes to assumptions or inputs that would lead to material changes in the fair value determined, although the final value will be determined by future sporting results.

Other non-current financial liabilities at 31 December 2016 and 30 June 2017 consist of financial guarantees as set out in note 12. At 30 June 2016 other non-current financial liabilities included £32.1m contingent consideration payable to Playtech. This liability was subsequently agreed with Playtech as set out in note 13(a) below.

Carrying amounts versus fair values

Assets and liabilities designated at fair value through profit or loss and available for sale financial assets are carried at fair value. The fair value of cash at bank and in hand approximates to book value due to its short-term maturity.

	30 June 2017		**30 June 2016**		**31 December 2016**	
Fair value of financial instruments	**Carrying Value £m**	**Fair Value £m**	**Carrying Value £m**	**Fair Value £m**	**Carrying Value £m**	**Fair Value £m**
£225.0m 7.625% bond	-	-	225.0	231.9	225.0	227.4
£100.0m 5.125% bond	100.0	106.1	100.0	101.7	100.0	101.9
£400.0m 5.125% bond	400.0	396.7	-	-	400.0	393.7

Other non-current financial liabilities

Included within other non-current financial liabilities is financial guarantees which are classified as level 3 financial instruments; a description of the valuation techniques, significant inputs and assumptions is described in note 12.

a) Playtech

During the prior year the Group reached a settlement on the outstanding consideration with the Group agreeing to pay £75m, £40m in shares (all satisfied at the date of the merger) and £35m in cash, the latter based on the delivery of certain operational milestones, but in any event, within 42 months of completion of the merger. This amount is included within non-current financial liabilities and is classified as a loan at amortised cost.